

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

CITY OF STANTON

Montcalm County, Michigan

FINANCIAL STATEMENTS

June 30, 2006

CITY OF STANTON

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report.....	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities.....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
<i>Proprietary Funds:</i>	
Statement of Net Assets.....	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows.....	11
<i>Fiduciary Funds:</i>	
Statement of Net Assets.....	12
Notes to Financial Statements.....	14
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule – General Fund.....	29
Budgetary Comparison Schedule – Special Revenue Fund – Major Street Fund.....	30
Budgetary Comparison Schedule – Special Revenue Fund – Local Street Fund.....	31
Budgetary Comparison Schedule – Special Revenue Fund – Library Fund.....	32
Pension system Schedule of Funding Progress.....	33
OTHER SUPPLEMENTAL INFORMATION:	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	35
Detailed Schedule of Expenditures.....	36
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet.....	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	40
<i>Fiduciary Funds:</i>	
Combining Statement of Net Assets.....	41
Combining Statement of Changes in Assets and Liabilities.....	42
Schedules of Indebtedness.....	43



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Commission
City of Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Stanton, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stanton, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stanton's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

September 12, 2006

BASIC FINANCIAL STATEMENTS

CITY OF STANTON

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 2,112,543	\$ 583,610	\$ 2,696,153	\$ 62,016
Receivables	138,798	62,311	201,109	-
Restricted cash and cash equivalents	-	60,625	60,625	-
Capital assets:				
Nondepreciable capital assets	146,799	4,765	151,564	-
Depreciable capital assets, net	914,579	3,203,644	4,118,223	-
 Total assets	 3,312,719	 3,914,955	 7,227,674	 62,016
Liabilities:				
Accounts payable and accrued expenses	17,073	17,707	34,780	4,776
Long-term liabilities:				
Due within one year	-	25,000	25,000	70,000
Due in more than one year	17,409	485,000	502,409	240,000
 Total liabilities	 34,482	 527,707	 562,189	 314,776
Net assets:				
Invested in capital assets, net of related debt	1,061,378	2,698,409	3,759,787	-
Restricted for:				
Debt service	-	60,625	60,625	-
Streets	527,403	-	527,403	-
Nonexpendable cemetery principal	48,393	-	48,393	-
Unrestricted	1,641,063	628,214	2,269,277	(252,760)
 Total net assets	 \$ 3,278,237	 \$ 3,387,248	 \$ 6,665,485	 \$ (252,760)

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 212,429	\$ 63,357	\$ -	\$ 4,800	\$ (144,272)
Public safety	123,347	488	1,224	-	(121,635)
Public works	186,262	11,087	114,686	-	(60,489)
Community and economic development	7,842	-	-	75,315	67,473
Recreation and culture	<u>170,788</u>	<u>17,746</u>	<u>186,813</u>	<u>-</u>	<u>33,771</u>
Total governmental activities	<u>700,668</u>	<u>92,678</u>	<u>302,723</u>	<u>80,115</u>	<u>(225,152)</u>
<i>Business-type activities:</i>					
Sewer	147,689	66,014	-	-	(81,675)
Water	<u>129,224</u>	<u>126,580</u>	<u>-</u>	<u>-</u>	<u>(2,644)</u>
Total business-type activities	<u>276,913</u>	<u>192,594</u>	<u>-</u>	<u>-</u>	<u>(84,319)</u>
Total primary government	<u>\$ 977,581</u>	<u>\$ 285,272</u>	<u>\$ 302,723</u>	<u>\$ 80,115</u>	<u>\$ (309,471)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 120,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120,487)</u>
Total component units	<u>\$ 120,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (120,487)</u>

continued

The accompanying notes are an integral part of these financial statements.

	Primary Government			
	Governmental	Business-		Component
	Activities	type	Total	Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Unit</u>
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (225,152)	\$ (84,319)	\$ (309,471)	\$ (120,487)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	201,075	-	201,075	187,399
Grants and contributions not restricted to specific programs	162,007	-	162,007	-
Unrestricted investment earnings	64,729	22,127	86,856	3,814
Miscellaneous	7,920	-	7,920	-
Contributions to principal of permanent funds	<u>1,600</u>	<u>-</u>	<u>1,600</u>	<u>-</u>
Total general revenues, contributions, special items and transfers	<u>437,331</u>	<u>22,127</u>	<u>459,458</u>	<u>191,213</u>
Change in net assets	212,179	(62,192)	149,987	70,726
Net assets, beginning of year	<u>3,066,058</u>	<u>3,449,440</u>	<u>6,515,498</u>	<u>(323,486)</u>
Net assets, end of year	<u>\$ 3,278,237</u>	<u>\$ 3,387,248</u>	<u>\$ 6,665,485</u>	<u>\$ (252,760)</u>

CITY OF STANTON

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2006

	General Fund	Major Street Fund	Local Street Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 845,673	\$ 441,314	\$ 68,803	\$ 480,684	\$ 64,687	\$ 1,901,161
Taxes receivable	147	-	-	-	-	147
Accounts receivable	1,259	-	-	-	-	1,259
Due from other governmental units	<u>52,043</u>	<u>11,458</u>	<u>5,828</u>	<u>68,063</u>	<u>-</u>	<u>137,392</u>
Total assets	<u>\$ 899,122</u>	<u>\$ 452,772</u>	<u>\$ 74,631</u>	<u>\$ 548,747</u>	<u>\$ 64,687</u>	<u>\$ 2,039,959</u>
Liabilities and Fund Balances:						
<i>Liabilities:</i>						
Accounts payable	\$ 3,940	\$ -	\$ -	\$ 3,800	\$ -	\$ 7,740
Accrued expenses	6,804	-	-	1,896	-	8,700
Due to other governmental units	368	-	-	-	-	368
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>
Total liabilities	<u>11,112</u>	<u>-</u>	<u>-</u>	<u>5,696</u>	<u>-</u>	<u>17,058</u>
<i>Fund balances:</i>						
Reserved for:						
Nonexpendable cemetery principal	-	-	-	-	48,393	48,393
Unreserved:						
General fund	888,010	-	-	-	-	888,010
Special revenue funds	<u>-</u>	<u>452,772</u>	<u>74,631</u>	<u>543,051</u>	<u>16,044</u>	<u>1,086,498</u>
Total fund balances	<u>888,010</u>	<u>452,772</u>	<u>74,631</u>	<u>543,051</u>	<u>64,437</u>	<u>2,022,901</u>
Total liabilities and fund balances	<u>\$ 899,122</u>	<u>\$ 452,772</u>	<u>\$ 74,631</u>	<u>\$ 548,747</u>	<u>\$ 64,437</u>	<u>\$ 2,039,959</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2006

Total fund balances for governmental funds \$ 2,022,901

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,167,442	
Less accumulated depreciation	<u>(147,680)</u>	1,019,762

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Compensated absences payable	<u>(17,409)</u>	(17,409)
------------------------------	-----------------	----------

The assets and liabilities of internal service funds are included in governmental
activities in the statement of net assets.

252,983

Net assets of governmental activities \$ 3,278,237

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General Fund	Major Street Fund	Local Street Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 211,447	\$ -	\$ -	\$ -	\$ -	\$ 211,447
Licenses and permits	3,841	-	-	-	-	3,841
State grants	168,031	69,390	35,295	7,454	-	280,170
Contributions from other units	10,800	-	-	179,359	-	190,159
Charges for services	33,500	-	-	-	9,170	42,670
Fines and forfeits	488	-	-	-	-	488
Interest and rents	33,628	14,632	1,942	14,895	748	65,845
Other revenue	5,136	-	10,001	17,746	3,200	36,083
Total revenues	<u>466,871</u>	<u>84,022</u>	<u>47,238</u>	<u>219,454</u>	<u>13,118</u>	<u>830,703</u>
Expenditures:						
<i>Current:</i>						
General government	101,961	-	-	-	9,000	110,961
Public safety	120,950	-	-	-	-	120,950
Public works	94,158	48,367	36,557	-	-	179,082
Recreation and culture	4,569	-	-	161,390	-	165,959
Other	96,954	-	-	-	-	96,954
Capital outlay	4,800	-	-	13,027	-	17,827
Total expenditures	<u>423,392</u>	<u>48,367</u>	<u>36,557</u>	<u>174,417</u>	<u>9,000</u>	<u>691,733</u>
Excess (deficiency) of revenues over expenditures	<u>43,479</u>	<u>35,655</u>	<u>10,681</u>	<u>45,037</u>	<u>4,118</u>	<u>138,970</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	693	693
Transfers out	-	-	-	-	(693)	(693)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	43,479	35,655	10,681	45,037	4,118	138,970
Fund balances, beginning of year	<u>844,531</u>	<u>417,117</u>	<u>63,950</u>	<u>498,014</u>	<u>60,319</u>	<u>1,883,931</u>
Fund balances, end of year	<u>\$ 888,010</u>	<u>\$ 452,772</u>	<u>\$ 74,631</u>	<u>\$ 543,051</u>	<u>\$ 64,437</u>	<u>\$ 2,022,901</u>

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 138,970

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	93,143	
Less depreciation expense	<u>(19,140)</u>	74,003

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	<u>34</u>	34
--	-----------	----

The net revenue (expense) of the internal service fund is reported with governmental activities.	<u>(828)</u>
--	--------------

Change in net assets of governmental activities \$ 212,179

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

	Business-type Activities			Governmental Activities
	Major Enterprise Funds			Internal Service Fund -
	Sewer Fund	Water Fund	Total	Equipment Fund
Assets:				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 176,292	\$ 407,318	\$ 583,610	\$ 211,382
Accounts receivable	20,869	41,442	62,311	-
Due from other funds	-	-	-	250
Total current assets	197,161	448,760	645,921	211,632
<i>Noncurrent assets:</i>				
Restricted cash and cash equivalents	-	60,625	60,625	-
Capital assets:				
Nondepreciable capital assets	4,765	-	4,765	-
Depreciable capital assets, net	2,445,419	758,225	3,203,644	41,616
Total noncurrent assets	2,450,184	818,850	3,269,034	41,616
Total assets	2,647,345	1,267,610	3,914,955	253,248
Liabilities:				
<i>Current liabilities:</i>				
Accounts payable	3,051	3,201	6,252	265
Accrued expenses	517	10,938	11,455	-
Current portion of long-term debt	-	25,000	25,000	-
Total current liabilities	3,568	39,139	42,707	265
<i>Noncurrent liabilities:</i>				
Long-term debt	-	485,000	485,000	-
Total noncurrent liabilities	-	485,000	485,000	-
Total liabilities	3,568	524,139	527,707	265
Net assets:				
Invested in capital assets, net of related debt	2,450,184	248,225	2,698,498	41,616
Restricted for:				
Debt service	-	60,625	60,625	-
Unrestricted	193,593	434,621	628,214	211,367
Total net assets	\$ 2,643,777	\$ 743,471	\$ 3,387,248	\$ 252,983

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Major Enterprise Funds			Internal Service Fund -
	Sewer Fund	Water Fund	Total	Equipment Fund
Operating revenues:				
Charges for services	\$ 65,023	\$ 123,341	\$ 188,364	\$ -
Penalties	991	3,239	4,230	-
Equipment rental	-	-	-	20,025
Total operating revenues	66,014	126,580	192,594	20,025
Operating expenses:				
Personnel	14,477	16,160	30,637	-
Fringe benefits	1,076	1,858	2,934	-
Supplies	380	1,346	1,726	-
Contracted services	16,137	10,471	26,608	-
Administrative expense	12,000	12,000	24,000	-
Telephone	-	6,744	6,744	-
Utilities	19,952	10,466	30,418	-
Repair and maintenance	5,949	12,024	17,973	7,604
Equipment rental	2,000	2,625	4,625	-
Other services and supplies	3,650	508	4,158	-
Depreciation	72,068	28,792	100,860	20,052
Total operating expenses	147,689	102,994	250,683	27,656
Operating income (loss)	(81,675)	23,586	(58,089)	(7,631)
Non-operating revenues (expenses):				
Interest income	5,864	16,263	22,127	6,803
Interest expense	-	(26,230)	(26,230)	-
Total non-operating revenues (expenses)	5,864	(9,967)	(4,103)	6,803
Net income (loss) before operating transfers	(75,811)	13,619	(62,192)	(828)
Net assets, beginning of year	2,719,588	729,852	3,449,440	253,811
Net assets, end of year	\$ 2,643,777	\$ 743,471	\$ 3,387,248	\$ 252,983

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Business-type Activities			Governmental Activities
	Major Enterprise Funds			Internal Service Fund -
	Sewer Fund	Water Fund	Total	Equipment Fund
Cash flows from operating activities:				
Cash received from customers	\$ 68,079	\$ 131,377	\$ 199,456	\$ -
Cash received from interfund services	-	-	-	19,775
Cash payments to employees	(14,477)	(16,160)	(30,637)	-
Cash payments to suppliers for goods and services	(60,327)	(56,921)	(117,248)	(7,463)
Net cash provided (used) by operating activities	(6,725)	58,296	51,571	12,312
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	-	-	(2,807)
Principal payments	-	(25,000)	(25,000)	-
Interest paid	-	(26,230)	(26,230)	-
Net cash provided by capital and related financing activities	-	(51,230)	(51,230)	(2,807)
Cash flows from investing activities:				
Interest received	5,864	16,263	22,127	6,803
Net cash provided by investing activities	5,864	16,263	22,127	6,803
Net increase (decrease) in cash and cash equivalents	(861)	23,329	22,468	16,308
Cash and cash equivalents, beginning of year	177,153	444,614	621,767	195,074
Cash and cash equivalents, end of year	\$ 176,292	\$ 467,943	\$ 644,235	\$ 211,382
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (81,675)	\$ 23,586	\$ (58,089)	\$ (7,631)
Adjustments:				
Depreciation	72,068	28,792	100,860	20,052
Change in assets and liabilities:				
Accounts receivable	2,065	4,797	6,862	(250)
Accounts payable and accrued expenses	817	1,121	1,938	141
Net cash provided (used) by operating activities	\$ (6,725)	\$ 58,296	\$ 51,571	\$ 12,312

The accompanying notes are an integral part of these financial statements.

CITY OF STANTON

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 6,287</u>
 Total assets	 <u>6,287</u>
Liabilities:	
Accounts payable and accrued expenses	5,028
Due to City	<u>1,259</u>
 Total liabilities	 <u>6,287</u>
Net Assets:	
Unrestricted	<u>-</u>
 Total net assets	 <u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stanton was incorporated in 1863 and is located in Montcalm County, Michigan. The City is organized under Michigan's Comprehensive Home Rule City Act. City government is directed by a seven member City Commission, including a Mayor, elected by the community at large. The City provides the following services to approximately 1,500 residents as authorized by its charter. Public safety (police and fire), highways and streets, sanitation, health and social services, culture - recreation, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Stanton conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City and its component units. The component units discussed below are included in the City's reporting entity because of their operational or financial relationship with the City.

Discretely Presented Component Unit - The component unit columns in the combined financial statements include the financial data of the City's component unit. The unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Commission. The budgets and expenditures of the Downtown Development Authority must be approved by the City Commission. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Joint Venture – The City is a member of an intergovernmental agreement to operate a joint fire association with the Evergreen, Douglas, and Sidney Townships. The City appoints one member to the joint association's governing board. The operating and capital budgets are funded with equal contributions from each government.

Basis of Presentation – Fund Accounting:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Basis of Accounting:

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the City's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The City does not allocate indirect costs. In creating the government-wide financial statements the City has eliminated interfund transactions.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from current year activities.

FUND FINANCIAL STATEMENTS:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

The City reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the City. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Major Street Fund – The Major Street Fund is used to account for the maintenance and construction of the City's major street system.

Local Street Fund – The Local Street Fund is used to account for the maintenance and construction of the City's local street system.

Library Fund – The Library Fund is used to account for earmarked revenue set aside for library purposes.

The City reports the following major enterprise funds:

Sewer Fund – The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Water Fund – The Water Fund is used to account for the revenues and expenses for the operation of a water system.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on September 14, and become a lien on December 1 with the final collection date of February 14 before they are added to the county tax rolls.

The 2005 taxable valuation of the City totaled \$ 20,427,185, on which ad valorem taxes levied consisted of 12.7436 mills for the City's operating purposes.

The delinquent real property taxes of the City are purchased by Montcalm County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-100 years
Vehicles	5-50 years
Furniture and other equipment	5-15 years

Compensated Absences – It is the City's policy to permit employees to accumulate earned but unused sick days. Under the City's policy, employees with over ten years of employment earn 100% of unused hours. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual's employment has terminated as of year end.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Clerk submits to the City Commission a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption of the City Commission.
4. Any revision that alters the total expenditures of any fund must be approved by the City.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the City Commission is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the City did not incur any expenditures that were in excess of the amounts budgeted.

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Commission is in accordance with Public Act 196 of 1997. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits are subject to several types of risk, which are presented in more detail as follows:

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the City had \$2,769,711 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$450,500 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the City had no investments.

NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

The ordinance authorizing issuance of the Water and Sewer Supply System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Receiving Account - All receipts are initially deposited into this account.

Operation and Maintenance Account - Quarterly transfers are to be made to cover upcoming operating expenses.

Bond and Interest Redemption Account - Quarterly transfers are to be made equal to 1/2 of the next interest payment due plus 1/4 of the next principal payment due.

Water Bond Reserve Account - All excess funds are to be transferred to this account until \$48,000 is accumulated.

At June 30, 2006, the City had established these accounts and had restricted cash, as required, as follows:

	Requirements			Amount Funded in Restricted Cash Balance June 30, 2006
	June 30, 2005	Additions (Deletions)	June 30, 2006	
WATER FUND:				
Bond and interest redemption account	\$ 12,938	(313)	12,625	12,625
Bond reserve account	48,000	-	48,000	48,000
	<u>\$ 60,938</u>	<u>\$ (313)</u>	<u>\$ 60,625</u>	<u>\$ 60,625</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5: CAPITAL ASSETS

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
Governmental funds:				
Nondepreciable capital assets:				
Land	\$ 131,799	\$ 15,000	\$ -	\$ 146,799
Depreciable capital assets:				
Land improvements	198,714	60,315	-	259,029
Buildings and improvements	741,844	-	-	741,844
Equipment	1,944	17,827	-	19,771
	942,502	78,142	-	1,020,644
Accumulated depreciation	(128,541)	(19,140)	-	(147,681)
Depreciable assets, net	813,961	59,002	-	872,963
Governmental fund capital assets, net	945,760	74,002	-	1,019,762
Equipment Fund:				
Buildings and improvements	4,330	-	-	4,330
Equipment	78,290	2,807	-	81,097
Vehicles	175,889	-	-	175,889
	258,509	2,807	-	261,316
Accumulated depreciation	(199,648)	(20,052)	-	(219,700)
Equipment fund capital assets, net	58,861	(17,245)	-	41,616
Total governmental capital assets, net	\$ 1,004,621	\$ 56,757	\$ -	\$ 1,061,378

Capital assets activity of the City's governmental and business-type activities was as follows:

	<u>Balance</u>		<u>Disposals</u>	<u>Balance</u>
Business-type activities:				
Sewer capital assets:				
Nondepreciable capital assets:				
Land	\$ 4,765	\$ -	\$ -	\$ 4,765
Depreciable capital assets:				
Equipment	85,715	-	-	85,715
Distribution system	3,590,794	-	-	3,590,794
	3,676,509	-	-	3,676,509
Accumulated depreciation	(1,159,022)	(72,068)	-	(1,231,090)
Depreciable assets, net	2,517,487	(72,068)	-	2,445,419
Sewer capital assets, net	2,522,252	(72,068)	-	2,450,184

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Business-type activities: continued				
<i>Water capital assets:</i>				
Depreciable capital assets				
Land improvements	72,718	-	-	72,718
Equipment	28,605	-	-	28,605
Distribution system	1,332,253	-	-	1,332,253
	<u>1,433,576</u>	<u>-</u>	<u>-</u>	<u>1,433,576</u>
Accumulated depreciation	<u>(646,559)</u>	<u>(28,792)</u>	<u>-</u>	<u>(675,351)</u>
Depreciable assets, net	<u>787,017</u>	<u>(28,792)</u>	<u>-</u>	<u>758,225</u>
Water capital assets, net	<u>787,017</u>	<u>(28,792)</u>	<u>-</u>	<u>758,225</u>
Business-type activities, capital assets, net	<u>\$ 3,309,269</u>	<u>\$ (100,860)</u>	<u>\$ -</u>	<u>\$ 3,208,409</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,188
Public safety	9,703
Public works	12,630
Community and economic development	7,842
Recreation and culture	<u>4,829</u>
Total governmental activities	<u>\$ 39,192</u>
Business-type activities:	
Sewer	\$ 72,068
Water	<u>28,792</u>
Total business-type activities	<u>\$ 100,860</u>

NOTE 6: LONG-TERM DEBT

The City issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT:						
Governmental activities						
Compensated absences			\$ 17,443	(34)	17,409	-
Total governmental activities			17,443	(34)	17,409	-
Business-type activities						
Revenue bonds - 1981 Water Supply						
Revenue Bonds						
Amount of Issue - \$816,000						
Maturing through February 1, 2021	5.0%	20,000-40,000	535,000	(25,000)	510,000	25,000
Total business-type activities			535,000	(25,000)	510,000	25,000
Total governmental and business-type activities			\$ 552,443	\$ (25,034)	\$ 527,409	\$ 25,000
COMPONENT UNIT:						
General Obligation - 1994 Downtown						
Development Limited Tax Bonds						
Amount of Issue - \$800,000						
Maturing through 2010	5.5-5.9%	\$60,000-85,000	\$ 380,000	(70,000)	310,000	70,000
Total component unit			\$ 380,000	(70,000)	310,000	70,000

Annual debt service requirements to maturity for the above bond and contractual obligations are as follows:

<u>Year Ended June 30,</u>	<u>Business-type Activities</u>			<u>Component Units</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 25,000	\$ 25,500	\$ 50,500	\$ 70,000	\$ 18,035	\$ 88,035
2008	25,000	24,250	49,250	75,000	14,045	89,045
2009	25,000	23,000	48,000	80,000	9,695	89,695
2010	30,000	21,750	51,750	85,000	5,015	90,015
2011	30,000	20,250	50,250	-	-	-
2012-2016	175,000	77,250	252,250	-	-	-
2017-2021	200,000	30,000	230,000	-	-	-
	<u>\$ 510,000</u>	<u>\$ 222,000</u>	<u>\$ 732,000</u>	<u>\$ 310,000</u>	<u>\$ 46,790</u>	<u>\$ 356,790</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the City's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Receivables:		
Accounts	\$ 1,259	\$ 62,311
Taxes	147	-
Intergovernmental	<u>137,392</u>	<u>-</u>
Total receivables	<u>\$ 138,798</u>	<u>\$ 62,311</u>
Accounts payable and accrued expenses:		
Accounts	\$ 8,005	\$ 6,252
Payroll and related liabilities	8,700	830
Intergovernmental	368	-
Interest	<u>-</u>	<u>10,625</u>
Total accounts payable and accrued expenses	<u>\$ 17,073</u>	<u>\$ 17,707</u>

NOTE 8: INTERFUND BALANCES AND TRANSFERS

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
<u>Nonmajor governmental funds</u>	<u>Nonmajor governmental funds</u>	
Permanent Fund- Perpetual Care	Special Revenue Fund - Cemetery Fund	<u>\$ 693</u> (I)

(I) Earnings used for maintenance of cemetery

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The City has purchased commercial insurance for medical benefits, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority operates as a claims servicing pool for amount up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts.

Although funds are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System):

Plan Description – The White Pine Library participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the library employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

FUNDING POLICY:

The Library is required to contribute at an actuarially determined rate; the current rate is 3.71% of annual covered payroll. Library employees are required to contribute 3% of their annual covered payroll. The contribution requirements of the Library are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Library, depending on the MERS contribution program adopted by the Library.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

Annual Pension Costs – For year ended June 30, 2006, the City's annual pension cost of \$6,369 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumption used include: (i) an 8% investment rate of return; (ii) projected salary increases of 4.5% per year; and (iii) 2.5% per year cost of living adjustments. All are determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized at a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of June 30, 2006 follows:

Fiscal Year Ended June 30	2006	2005	2004
Annual pension cost	\$ 6,369	\$ 5,013	\$ 3,748
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Deferred Compensation Plan:

As of December 31, 1993, the City (except Library employees) no longer was a member of the Michigan Municipal Employees Retirement System. A private deferred compensation plan was created in accordance with Internal Revenue Code Section 457, as of July 1, 1992. The plan is available to all full-time employees and it permits tax deferral of a portion of current salary until future years.

The City is required to contribute to the Section 457 plan, an amount equal to three percent (3%) of each eligible employee's annual salary. In addition, the City makes a matching dollar contribution in one percent (1%) increments up to a maximum of two percent (2%). During the year ended June 30, 2006, the City contributed \$8,383 on behalf of the employees under this arrangement.

The City adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, for its primary government. The City has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the City's financial statements.

Compensated Absences:

City employees receive 100% of their accumulated sick days on termination. As of June 30, 2006, a liability for accrued sick pay of \$17,409 is reflected in the financial statements.

Post Employment Benefits:

The City has no post employment benefits plans at this time other than its pension plans.

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 11: COMPONENT UNIT FINANCIAL INFORMATION

Condensed financial statements for the discretely presented unit are presented below. Complete financial statements are not prepared for the Downtown Development Authority.

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 62,016
Total assets	<u>62,016</u>

LIABILITIES AND FUND EQUITY:

Liabilities:

Accounts Payable	212
Accrued Interest Payable	3,006
Due to other governmental units	1,558
Long-Term Liabilities:	
Due within one year	70,000
Due in more than one year	<u>240,000</u>
Total liabilities	<u>314,776</u>

Net Assets:

Unrestricted	<u>(252,760)</u>
Total net assets	<u>\$ (252,760)</u>

CITY OF STANTON

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

REVENUES:

Property taxes	\$ 187,399
Interest	3,813
Total revenues	<u>191,212</u>

EXPENDITURES:

Economic development	99,155
Debt service:	
Interest	<u>21,331</u>
Total expenditures	<u>120,486</u>
Change in net assets	70,726
Net assets, beginning of year	<u>(323,486)</u>
Net assets, end of year	<u><u>\$ (252,760)</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STANTON

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 201,100	\$ 201,100	\$ 211,447	\$ 10,347
Licenses and permits	21,000	21,000	3,841	1,741
State grants	157,000	161,800	168,031	6,231
Contributions from other units	10,800	10,800	10,800	-
Charges for services	33,500	33,500	33,350	-
Fines and forfeits	300	300	488	188
Interest and rents	12,600	12,600	33,628	21,028
Other revenue	52,200	52,200	5,136	(47,064)
Total revenues	469,600	474,400	466,871	(7,529)
Expenditures:				
<i>Current:</i>				
General government	109,055	109,055	101,961	(7,094)
Public safety	121,300	121,300	120,950	(350)
Public works	112,870	112,870	94,158	(18,712)
Recreation and culture	9,050	9,050	4,569	(4,481)
Other	117,325	117,325	96,954	(20,371)
Capital outlay	-	4,800	4,800	-
Total expenditures	469,600	474,400	423,392	(51,008)
Excess (deficiency) of revenues over expenditures	-	-	43,479	43,479
Fund balance, beginning of year	844,531	844,531	844,531	-
Fund balance, end of year	\$ 844,531	\$ 844,531	\$ 888,010	\$ 43,479

CITY OF STANTON

SPECIAL REVENUE FUND – MAJOR STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues:				
State grants	\$ 63,000	\$ 63,000	\$ 69,390	\$ 6,390
Interest and rents	4,000	4,000	14,632	10,632
Other revenue	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
 Total revenues	<u>67,100</u>	<u>67,100</u>	<u>84,022</u>	<u>16,922</u>
 Expenditures:				
<i>Current:</i>				
Public works	<u>67,100</u>	<u>67,100</u>	<u>48,367</u>	<u>(18,733)</u>
 Total expenditures	<u>67,100</u>	<u>67,100</u>	<u>48,367</u>	<u>(18,733)</u>
 Excess (deficiency) of revenues over expenditures	-	-	35,655	35,655
 Fund balance, beginning of year	<u>417,117</u>	<u>417,117</u>	<u>417,117</u>	<u>-</u>
 Fund balance, end of year	<u>\$ 417,117</u>	<u>\$ 417,117</u>	<u>\$ 452,772</u>	<u>\$ 35,655</u>

CITY OF STANTON

SPECIAL REVENUE FUND – LOCAL STREET FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues:				
State grants	\$ 31,000	\$ 31,000	\$ 35,295	\$ 4,295
Interest and rents	800	800	1,942	1,142
Other revenue	-	-	10,001	-
	<u>31,800</u>	<u>31,800</u>	<u>47,238</u>	<u>5,437</u>
Total revenues				
Expenditures:				
<i>Current:</i>				
Public works	<u>45,430</u>	<u>45,430</u>	<u>36,557</u>	<u>(8,873)</u>
	<u>45,430</u>	<u>45,430</u>	<u>36,557</u>	<u>(8,873)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(13,630)	(13,630)	10,681	14,310
Fund balance, beginning of year	<u>63,950</u>	<u>63,950</u>	<u>63,950</u>	<u>-</u>
Fund balance, end of year	<u>\$ 50,320</u>	<u>\$ 50,320</u>	<u>\$ 74,631</u>	<u>\$ 14,310</u>

CITY OF STANTON

SPECIAL REVENUE FUND – LIBRARY FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues:				
Federal grants	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
State grants	5,000	5,000	7,454	2,454
Contributions from other units	144,000	144,000	179,359	35,359
Interest and rents	1,500	1,500	14,895	13,395
Other revenue	10,000	10,000	17,746	-
	<u>168,500</u>	<u>168,500</u>	<u>219,454</u>	<u>51,208</u>
Total revenues				
	<u>168,500</u>	<u>168,500</u>	<u>219,454</u>	<u>51,208</u>
Expenditures:				
<i>Current:</i>				
Recreation and culture	165,441	171,691	161,390	(10,301)
Capital outlay	14,000	14,000	13,027	(973)
	<u>179,441</u>	<u>185,691</u>	<u>174,417</u>	<u>(11,274)</u>
Total expenditures				
	<u>179,441</u>	<u>185,691</u>	<u>174,417</u>	<u>(11,274)</u>
Excess (deficiency) of revenues over expenditures	(10,941)	(17,191)	45,037	62,482
Fund balance, beginning of year	498,014	498,014	498,014	-
Fund balance, end of year	<u>\$ 487,073</u>	<u>\$ 480,823</u>	<u>\$ 543,051</u>	<u>\$ 62,482</u>

SCHEDULE OF PENSION PLAN FUNDING PROGRESS

Year Ended June 30, 2006

<i><u>Actuarial Valuation Date</u></i>	<u>12/31/05</u>	<u>12/31/04</u>	<u>12/31/03</u>
Actuarial Value of Assets	\$ 109,630	\$ 108,453	\$ 107,982
Actuarial Accrued Liability (AAL)	174,558	172,143	173,967
Unfunded AAL (UAAL)	64,928	63,690	65,985
Funded Ratio	63%	63%	62%
Covered Payroll	49,593	49,706	47,059
UAAL as a percentage of covered payroll	131%	128%	140%

OTHER SUPPLEMENTAL INFORMATION

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2006

Current Taxes:

Property taxes	\$ 200,781
Trailer tax	294
Administration fees, Penalties and interest on taxes	<u>10,372</u>
	<u>211,447</u>

Licenses and permits:

Nonbusiness licenses and permits	2,279
CATV franchise fees	<u>1,562</u>
	<u>3,841</u>

State Grants:

Liquor license fees	1,212
State revenue sharing - sales tax	162,007
State grant - voting equipment	<u>4,800</u>
	<u>168,031</u>

Contribution from other units:

Stanton Downtown Development Authority - Administration charges	<u>10,800</u>
---	---------------

Charges for services:

Charges to other funds	<u>33,500</u>
------------------------	---------------

Fines and forfeits:

Ordinance fines	<u>488</u>
-----------------	------------

Interest and rents:

Interest	25,708
Rents	<u>7,920</u>
	<u>33,628</u>

Other Revenue:

Refund and rebates	3,679
Miscellaneous	<u>1,457</u>
	<u>5,136</u>

Total revenues	<u><u>\$ 466,871</u></u>
----------------	--------------------------

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2006

General Government:

Council/Commission:

Personnel	8,930
Supplies	231
Contracted services	290
Printing and publications	1,686
	<u>11,137</u>

Clerk/Treasurer:

Personnel	47,630
Supplies	1,749
Other	515
	<u>49,894</u>

Audit:

Contracted services	<u>2,655</u>
---------------------	--------------

Board of Review:

Personnel	<u>700</u>
-----------	------------

Assessor/Equalization Department:

Personnel	8,400
Contracted services	315
Printing and publications	87
Other	990
	<u>9,792</u>

Elections:

Supplies	533
Contracted services	1,158
Printing and publications	291
	<u>1,982</u>

Building and Grounds:

Personnel	5,900
Supplies	5,004
Contracted services	1,726
Telephone	3,064
Printing and publications	378
Utilities	5,366
Repairs and maintenance	2,769
Other	1,198
	<u>25,405</u>

Cemetery:

Supplies	<u>396</u>
----------	------------

Total general government	<u>101,961</u>
--------------------------	----------------

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2006

Public Safety:

Police:

Personnel	72,237
Supplies	5,509
Repairs and maintenance	1,359
Equipment rental	6,000
Other	128
	<u>85,233</u>

Fire:

Contracted services	<u>35,717</u>
---------------------	---------------

Total public safety	<u>120,950</u>
---------------------	----------------

Public Works:

Department of Public Works:

Personnel	48,097
Supplies	225
Contracted services	4,800
Utilities	924
Repairs and maintenance	8,772
Equipment rental	4,500
Other	523
	<u>67,841</u>

Street Lighting:

Utilities	<u>22,159</u>
-----------	---------------

Refuse Collection/Disposal:

Contracted services - Spring Cleanup	<u>4,158</u>
--------------------------------------	--------------

Total public works	<u>94,158</u>
--------------------	---------------

Recreation and Culture:

Parks and Recreation Department:

Personnel	1,844
Supplies	1,600
Equipment rental	1,125
	<u>4,569</u>

Total recreation and culture	<u>4,569</u>
------------------------------	--------------

CITY OF STANTON

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2006

Other:

Insurance and bonds	23,544
Employer's share of retirement	8,383
Employer's share of FICA	14,579
Health Insurance	45,179
Workers compensation insurance	<u>5,269</u>
	<u>96,954</u>

Total other	<u>96,954</u>
-------------	---------------

Capital Outlay:

General government	<u>4,800</u>
--------------------	--------------

Total capital outlay	<u>4,800</u>
----------------------	--------------

Total expenditures	<u><u>\$ 423,392</u></u>
--------------------	--------------------------

CITY OF STANTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2006

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	
	<u>Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 16,294	\$ 48,393	\$ 64,687
 Total assets	<u>\$ 16,294</u>	<u>\$ 48,393</u>	<u>\$ 64,687</u>
 Liabilities and Fund Balances:			
<i>Liabilities:</i>			
Due to other funds	\$ 250	\$ -	\$ 250
 Total liabilities	<u>250</u>	<u>-</u>	<u>250</u>
 <i>Fund balances:</i>			
Reserved for:			
Nonexpendable cemetery principal	-	48,393	48,393
Unreserved:			
Special revenue funds	<u>16,044</u>	<u>-</u>	<u>16,044</u>
 Total fund balances	<u>16,044</u>	<u>48,393</u>	<u>64,437</u>
 Total liabilities and fund balances	<u>\$ 16,294</u>	<u>\$ 48,393</u>	<u>\$ 64,687</u>

CITY OF STANTON

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	
	<u>Cemetery Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Charges for services	\$ 9,170	\$ -	\$ 9,170
Charges for services	35	713	748
Lot sales/perpetual care	<u>1,600</u>	<u>1,600</u>	<u>3,200</u>
Total revenues	<u>10,805</u>	<u>2,313</u>	<u>13,118</u>
Expenditures:			
<i>Current:</i>			
General government	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total expenditures	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Excess (deficiency) of revenues over expenditures	<u>1,805</u>	<u>2,313</u>	<u>4,118</u>
Other financing sources (uses):			
Transfers in	693	-	693
Transfers out	<u>-</u>	<u>(693)</u>	<u>(693)</u>
Total other financing sources (uses)	<u>693</u>	<u>(693)</u>	<u>-</u>
Net change in fund balance	2,498	1,620	4,118
Fund balances, beginning of year	<u>13,546</u>	<u>46,773</u>	<u>60,319</u>
Fund balances, end of year	<u>\$ 16,044</u>	<u>\$ 48,393</u>	<u>\$ 64,437</u>

CITY OF STANTON

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2006

	Payroll Withholding Fund	Tax Fund	Total
Assets:			
Cash and cash equivalents	\$ 5,028	\$ 1,259	\$ 6,287
 Total assets	 5,028	 -	 6,287
Liabilities:			
Accounts payable and accrued expenses	5,028	-	5,028
Due to City	-	1,259	1,259
 Total liabilities	 5,028	 1,259	 6,287
Net Assets:			
Unrestricted	-	-	-
 Total net assets	 \$ -	 \$ -	 \$ -

CITY OF STANTON

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES, Year Ended June 30, 2006

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Payroll Withholding Fund</u>				
Assets:				
Cash and cash equivalents	\$ 4,438	\$ 347,828	\$ 347,238	\$ 5,028
Total assets	<u>\$ 4,438</u>	<u>\$ 347,828</u>	<u>\$ 347,238</u>	<u>\$ 5,028</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 4,438	\$ 347,828	\$ 347,238	\$ 5,028
Total liabilities	<u>\$ 4,438</u>	<u>\$ 347,828</u>	<u>\$ 347,238</u>	<u>\$ 5,028</u>
<u>Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 18,540	\$ 916,525	\$ 933,806	\$ 1,259
Liabilities:				
Due to other units/City	18,540	916,525	933,806	1,259
Total liabilities	<u>\$ 18,540</u>	<u>\$ 916,525</u>	<u>\$ 933,806</u>	<u>\$ 1,259</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 22,978	\$ 1,264,353	\$ 1,281,044	\$ 6,287
Total assets	<u>\$ 22,978</u>	<u>\$ 1,264,353</u>	<u>\$ 1,281,044</u>	<u>\$ 6,287</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 4,438	\$ 347,828	\$ 347,238	\$ 5,028
Due to other funds/governmental units	18,540	916,525	933,806	1,259
Total liabilities	<u>\$ 22,978</u>	<u>\$ 1,264,353</u>	<u>\$ 1,281,044</u>	<u>\$ 6,287</u>

CITY OF STANTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2006

WATER SUPPLY REVENUE BOND, 1981

Purpose: Water system improvements/additions

Original amount of issue: \$816,000

Interest Payable: August 1 and February 1

Original Amount of Issue	\$	816,000
Bonds Redeemed to June 30, 2006		<u>306,000</u>

Bonds Outstanding June 30, 2006	\$	<u><u>510,000</u></u>
---------------------------------	----	-----------------------

Term: 40 years

Fiscal Year Ended June 30,	Interest Rate	Principal	Interest Due		Total Annual Requirement
			08/01	02/01	
2007	5.00%	\$ 25,000	\$ 12,750	\$ 12,750	\$ 50,500
2008	5.00	25,000	12,125	12,125	49,250
2009	5.00	25,000	11,500	11,500	48,000
2010	5.00	30,000	10,875	10,875	51,750
2011	5.00	30,000	10,125	10,125	50,250
2012	5.00	30,000	9,375	9,375	48,750
2013	5.00	35,000	8,625	8,625	52,250
2014	5.00	35,000	7,750	7,750	50,500
2015	5.00	35,000	6,875	6,875	48,750
2016	5.00	40,000	6,000	6,000	52,000
2017	5.00	40,000	5,000	5,000	50,000
2018	5.00	40,000	4,000	4,000	48,000
2019	5.00	40,000	3,000	3,000	46,000
2020	5.00	40,000	2,000	2,000	44,000
2021	5.00	40,000	1,000	1,000	42,000
		\$ 510,000	\$ 111,000	\$ 111,000	\$ 732,000

CITY OF STANTON

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

June 30, 2006

DOWNTOWN DEVELOPMENT LIMITED TAX GENERAL OBLIGATION BONDS, 1994

Purpose: Downtown Development Authority Streetscape Project

Date of Issue: September 1, 1994

Interest Payable: May 1 and November 1

Original Amount of Issue	\$	800,000
Bonds Redeemed to June 30, 2006		<u>420,000</u>

Bonds Outstanding June 30, 2006	\$	<u><u>380,000</u></u>
---------------------------------	----	-----------------------

Fiscal Year Ended June 30,	Interest Rate	Principal	Interest Due		Total Annual Requirement
			11/01	05/01	
2007	5.70%	\$ 70,000	\$ 9,017	\$ 9,018	\$ 88,035
2008	5.80	75,000	7,023	7,022	89,045
2009	5.85	80,000	4,847	4,848	89,695
2010	5.90	85,000	2,508	2,507	90,015
		<u>\$ 310,000</u>	<u>\$ 23,395</u>	<u>\$ 23,395</u>	<u>\$ 356,790</u>



September 12, 2006

To The Honorable Mayor and
Members of the City Commission
City of Stanton

We have audited the financial statements of the City of Stanton for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of the City of Stanton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Stanton are described in Note 1 to the financial statements. We noted no transactions entered into by the City of Stanton during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the City's financial statements and this communication of these matters does not affect our report on the financial statements, dated September 12, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants